

# Senate File 442

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SENATE FILE 442

## AN ACT

1 4 UPDATING THE IOWA CODE REFERENCES TO THE INTERNAL REVENUE CODE,  
1 5 PROVIDING FOR DECOUPLING WITH THE INTERNAL REVENUE CODE FOR  
1 6 A CERTAIN BONUS DEPRECIATION PROVISION, AND PROVIDING RETRO-  
1 7 ACTIVE APPLICABILITY DATES AND AN EFFECTIVE DATE.

1 9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 11 Section 1. Section 15.335, subsection 4, Code 2003, is  
1 12 amended to read as follows:

1 13 4. For purposes of this section, "base amount", "basic  
1 14 research payment", and "qualified research expense" mean the  
1 15 same as defined for the federal credit for increasing research  
1 16 activities under section 41 of the Internal Revenue Code,  
1 17 except that for the alternative incremental credit such  
1 18 amounts are for research conducted within this state.

1 19 PARAGRAPH DIVIDED. For purposes of this section, "Internal  
1 20 Revenue Code" means the Internal Revenue Code in effect on  
1 21 January 1, ~~2002~~ 2003.

1 22 Sec. 2. Section 15A.9, subsection 8, paragraph e, Code  
1 23 2003, is amended to read as follows:

1 24 e. For the purposes of this subsection, "base amount",  
1 25 "basic research payment", and "qualified research expense"  
1 26 mean the same as defined for the federal credit for increasing  
1 27 research activities under section 41 of the Internal Revenue  
1 28 Code, except that for the alternative incremental credit such  
1 29 amounts are for research conducted within this state within  
1 30 the zone.

1 31 PARAGRAPH DIVIDED. For purposes of this subsection,  
1 32 "Internal Revenue Code" means the Internal Revenue Code in  
1 33 effect on January 1, ~~2002~~ 2003.

1 34 Sec. 3. Section 422.3, subsection 5, Code 2003, is amended  
1 35 to read as follows:

2 1 5. "Internal Revenue Code" means the Internal Revenue Code  
2 2 of 1954, prior to the date of its redesignation as the  
2 3 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,  
2 4 or means the Internal Revenue Code of 1986 as amended to and  
2 5 including January ~~31, 2002~~ 1, 2003, whichever is applicable.

2 6 Sec. 4. Section 422.5, subsection 1, paragraph k,  
2 7 subparagraph (1), Code 2003, is amended to read as follows:

2 8 (1) Add items of tax preference included in federal  
2 9 alternative minimum taxable income under section 57, except  
2 10 subsections (a)(1), (a)(2), and (a)(5), of the Internal  
2 11 Revenue Code, make the adjustments included in federal  
2 12 alternative minimum taxable income under section 56, except  
2 13 subsections (a)(4), (b)(1)(C)(iii), and (d), of the Internal  
2 14 Revenue Code, and add losses as required by section 58 of the  
2 15 Internal Revenue Code. To the extent that any preference or  
2 16 adjustment is determined by an individual's federal adjusted  
2 17 gross income, the individual's federal adjusted gross income  
2 18 is computed in accordance with section 422.7, subsection 39.

2 19 In the case of an estate or trust, the items of tax  
2 20 preference, adjustments, and losses shall be apportioned  
2 21 between the estate or trust and the beneficiaries in  
2 22 accordance with rules prescribed by the director.

2 23 Sec. 5. Section 422.7, Code 2003, is amended by adding the  
2 24 following new subsection:

2 25 NEW SUBSECTION. 39. The additional first-year  
2 26 depreciation allowance authorized in section 168(k) of the  
2 27 Internal Revenue Code, as enacted by Pub. L. No. 107-147,  
2 28 section 101, does not apply in computing net income for state  
2 29 tax purposes. If the taxpayer has taken such deduction in  
2 30 computing federal adjusted gross income, the following  
2 31 adjustments shall be made:

2 32 a. Add the total amount of depreciation taken on all  
2 33 property for which the election under section 168(k) of the  
2 34 Internal Revenue Code was made for the tax year.

2 35 b. Subtract an amount equal to depreciation taken on such  
3 1 property for the tax year using the modified accelerated cost  
3 2 recovery system depreciation method applicable under section  
3 3 168 of the Internal Revenue Code without regard to section  
3 4 168(k).

3 5 c. Any other adjustments to gains or losses to reflect the

3 6 adjustments made in paragraphs "a" and "b" pursuant to rules  
3 7 adopted by the director.

3 8 Sec. 6. Section 422.9, subsection 2, Code 2003, is amended  
3 9 by adding the following new paragraph:

3 10 NEW PARAGRAPH. j. For purposes of calculating the  
3 11 deductions in this subsection that are authorized under the  
3 12 Internal Revenue Code, and to the extent that any of such  
3 13 deductions is determined by an individual's federal adjusted  
3 14 gross income, the individual's federal adjusted gross income  
3 15 is computed in accordance with section 422.7, subsection 39.

3 16 Sec. 7. Section 422.10, subsection 3, Code 2003, is  
3 17 amended to read as follows:

3 18 3. For purposes of this section, "base amount", "basic  
3 19 research payment", and "qualified research expense" mean the  
3 20 same as defined for the federal credit for increasing research  
3 21 activities under section 41 of the Internal Revenue Code,  
3 22 except that for the alternative incremental credit such  
3 23 amounts are for research conducted within this state.

3 24 PARAGRAPH DIVIDED. For purposes of this section, "Internal  
3 25 Revenue Code" means the Internal Revenue Code in effect on  
3 26 January 1, ~~2002~~ 2003.

3 27 Sec. 8. Section 422.32, Code 2003, is amended by adding  
3 28 the following new subsection:

3 29 NEW SUBSECTION. 6A. "Internal Revenue Code" means the  
3 30 Internal Revenue Code of 1954, prior to the date of its  
3 31 redesignation as the Internal Revenue Code of 1986 by the Tax  
3 32 Reform Act of 1986, or means the Internal Revenue Code of 1986  
3 33 as amended to and including January 1, 2003, whichever is  
3 34 applicable.

3 35 Sec. 9. Section 422.33, subsection 5, paragraph d, Code  
4 1 2003, is amended to read as follows:

4 2 d. For purposes of this subsection, "base amount", "basic  
4 3 research payment", and "qualified research expense" mean the  
4 4 same as defined for the federal credit for increasing research  
4 5 activities under section 41 of the Internal Revenue Code,  
4 6 except that for the alternative incremental credit such  
4 7 amounts are for research conducted within this state.

4 8 PARAGRAPH DIVIDED. For purposes of this subsection,  
4 9 "Internal Revenue Code" means the Internal Revenue Code in  
4 10 effect on January 1, ~~2002~~ 2003.

4 11 Sec. 10. Section 422.35, Code 2003, is amended by adding  
4 12 the following new subsection:

4 13 NEW SUBSECTION. 19. The additional first-year  
4 14 depreciation allowance authorized in section 168(k) of the  
4 15 Internal Revenue Code, as enacted by Pub. L. No. 107-147,  
4 16 section 101, does not apply in computing net income for state  
4 17 tax purposes. If the taxpayer has taken such deduction in  
4 18 computing taxable income, the following adjustments shall be  
4 19 made:

4 20 a. Add the total amount of depreciation taken on all  
4 21 property for which the election under section 168(k) of the  
4 22 Internal Revenue Code was made for the tax year.

4 23 b. Subtract an amount equal to depreciation taken on such  
4 24 property for the tax year using the modified accelerated cost  
4 25 recovery system depreciation method applicable under section  
4 26 168 of the Internal Revenue Code without regard to section  
4 27 168(k).

4 28 c. Any other adjustments to gains or losses to reflect the  
4 29 adjustments made in paragraphs "a" and "b" pursuant to rules  
4 30 adopted by the director.

4 31 Sec. 11. RETROACTIVE APPLICABILITY.

4 32 1. Sections 1 through 3 and sections 7 through 9 apply  
4 33 retroactively to January 1, 2002, for tax years beginning on  
4 34 or after that date.

4 35 2. Sections 4, 5, 6, and 10 apply retroactively to tax  
5 1 years ending on or after September 10, 2001.

5 2 Sec. 12. EFFECTIVE DATE. This Act, being deemed of  
5 3 immediate importance, takes effect upon enactment.

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MARY E. KRAMER  
President of the Senate

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CHRISTOPHER C. RANTS  
Speaker of the House

5 15 I hereby certify that this bill originated in the Senate and  
5 16 is known as Senate File 442, Eightieth General Assembly.

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MICHAEL E. MARSHALL  
Secretary of the Senate

Approved \_\_\_\_\_, 2003

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THOMAS J. VILSACK  
Governor